

**UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO**

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In re:  THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO,  as representative of  THE COMMONWEALTH OF PUERTO RICO, <i>et al.</i> , Debtors. <sup>1</sup>	PROMESA Title III  No. 17 BK 3283-LTS  (Jointly Administered)
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**STATUS REPORT OF FINANCIAL OVERSIGHT AND MANAGEMENT  
BOARD IN CONNECTION WITH MARCH 10–11, 2021 OMNIBUS HEARING**

To the Honorable United States District Court Judge Laura Taylor Swain:

The Commonwealth of Puerto Rico (the “Commonwealth”), the Puerto Rico Highways and Transportation Authority (“HTA”), the Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”), the Puerto Rico Electric Power Authority (“PREPA”), and the Puerto Rico Public Buildings Authority (“PBA,” and together with the Commonwealth, HTA, ERS, and PREPA, the “Debtors”), by and through the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), as sole Title III representative of the Debtors pursuant to section 315(b) of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), respectfully submit this Status Report in connection with

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<sup>1</sup> The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (“Commonwealth”) (Bankruptcy Case No. 17-BK-3283- LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17-BK-3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17-BK-3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17-BK-3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority (“PREPA”) (Bankruptcy Case No. 17-BK-4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority (“PBA”) (Bankruptcy Case No. 19-BK-5523-LTS) (Last Four Digits of Federal Tax ID: 3801) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

the March 10–11, 2021 omnibus hearing and in response to this Court’s order, dated March 3, 2021 [ECF No. 15902].

## **I. General Status and Activities of the Oversight Board**

1. The Oversight Board and the Government of Puerto Rico (the “Government”) continue to collaborate to protect the health and welfare of the people of Puerto Rico from the COVID-19 virus amid the recent increase in COVID-19 cases, while ensuring critical businesses may remain open to provide for the needs of the people of Puerto Rico. As set forth in previous Status Reports, the Oversight Board has already worked closely with the Government to define how to best utilize over \$750 million in emergency funding, with a clear focus on responding to and managing the pandemic. The Oversight Board is continuing to work with the Government to utilize effectively federal funding intended to cover expenses related to COVID-19.

2. The Oversight Board has continued to advance structural reforms that will promote economic growth and improve the quality of life for the people of Puerto Rico. On January 29, 2021, the Oversight Board approved a recommendation letter for a holistic reorganization of Puerto Rico’s underperforming transportation sector, pursuant to section 205 of PROMESA. Due to inefficiencies throughout the sector, Puerto Rico suffers from poor road quality, poor traffic safety, and financial deficits in its transportation system. In addition to addressing these concerns, improving Puerto Rico’s transportation system is a key component of promoting economic growth—as discussed in previous status reports, Puerto Rico has taken significant steps to attract pharmaceutical and manufacturing businesses to the island, and these industries require well-maintained roads and shipping ports. The Oversight Board believes this reorganization of the transportation sector has the potential to inject \$1.5 billion into Puerto Rico’s economy over the next thirty years.

3. The Oversight Board remains focused on achieving its mandates under PROMESA so that fiscal responsibility, access to capital markets, and economic prosperity and growth can return to Puerto Rico.

## **II. General Status of Relations Among the Oversight Board and Commonwealth and Federal Governments**

4. The Oversight Board's relationship with the Government continues to be collaborative and, notwithstanding differences on several issues, the Oversight Board is working closely with new Puerto Rico Governor Pedro Pierluisi and the rest of the Commonwealth administration. The Oversight Board and Government remain in agreement that the health, safety, and economic welfare of the people of Puerto Rico must be the priority.

5. The Oversight Board is currently working with the Government to develop and certify Fiscal Plans for fiscal year 2021 and the Budgets for fiscal year 2022. In addition to the Commonwealth, eighteen (18) other agencies, instrumentalities, and municipalities are subject to a Fiscal Plan and Budget, which advance PROMESA's goal of achieving fiscal balance and renewed access to capital markets for Puerto Rico. The process of certifying a Fiscal Plan and approving a Budget explicitly provides for collaboration between the Oversight Board and the Government, and the Oversight Board looks forward to working closely with the new Government on this process. The Oversight Board has provided the Government with a calendar of key dates for the certification process, and has encouraged the new legislative leadership to provide input.

6. The Oversight Board remains concerned, however, about the Government's delays in publishing its consolidated audited financial reports ("CAFRs"), currently more than two years behind schedule. On February 26, 2021, the Oversight Board approved a recommendation letter pursuant to section 205 of PROMESA, setting forth steps to address this issue. The latest available audited financials, from Fiscal Year 2017, were published in August 2020. Governor Pierluisi has

already taken steps to correct these delays during his short time in office and stated at the last public meeting that he agrees it must be remedied, and the Oversight Board is committed to working with the Government to ensure CAFRs are completed on a timely basis going forward.

7. The Oversight Board is also committed to ensuring the Government's compliance with PROMESA in proposing and enacting legislation. Specifically, the Puerto Rico legislature recently proposed House Bill 120 ("HB 120"), despite its effective release of municipalities of their obligations to reimburse the Commonwealth for their retirees' pensions which the Court previously nullified and enjoined in the context of Act 29. HB 120 would also bar the Government from taking any action to advance any plan of adjustment that does not comply with such requirements related to pensions and certain bonds, among other things, and is directly contrary to PROMESA and the Certified Fiscal Plan, and is designed to thwart any Title III plan that does not recreate pension obligations the Oversight Board has determined the Commonwealth cannot afford.

8. The Oversight Board has made a request which would allow it to obtain draft legislation, in accordance with PROMESA. The Oversight Board is hopeful that this request will allow it to continue working collaboratively with the Commonwealth and federal governments, and to avoid the enactment of legislation that is inconsistent with PROMESA, as has occurred with Acts 29, 80, 81, and 82, as detailed in previous status reports, and may occur with HB 120.

9. In addition, as discussed in previous status reports, the Oversight Board remains committed to implementing reforms to the Puerto Rico Department of Education's ("PRDE") payroll and attendance system, as flaws in this system have caused over \$80 million in payroll disbursements to be made to employees who were not working. The Oversight Board initially anticipated that reforms to the payroll and attendance system would be fully implemented by the

end of 2020. Unfortunately, however, the Government has delayed implementation of these reforms. If reforms are not made promptly, the Oversight Board believes an additional \$46 million could be improperly disbursed during fiscal year 2021, and the amount of improper disbursements will continue to increase. The Board remains focused on resolving this issue to ensure Puerto Ricans' tax dollars are used efficiently and honestly, and to ensure fiscal accountability.

### **III. General Status of Work Toward Plans of Adjustment**

10. On March 8, 2021, the Oversight Board filed the Second Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. (the "Plan of Adjustment") [ECF No. 15976], and a corresponding disclosure statement. The filing of the Plan of Adjustment marks an important step towards the resolution of these Title III cases and the Commonwealth's successful emergence from Title III. The filing of the Plan of Adjustment follows the Oversight Board's announcement of the terms of a new plan support agreement ("PSA") on February 23, 2021. The Oversight Board is continuing to meet with parties in interest and the Court-appointed Mediation Team, with the goal of attaining further agreements with key stakeholders and reaching a fully consensual Plan of Adjustment. As a consequence, and while the Oversight Board anticipates moving forward on the Plan of Adjustment and Disclosure Statement expeditiously, in an effort to allow such meetings and discussions to continue, at this time, the Oversight Board does not propose a definitive schedule for approval of the Disclosure Statement and confirmation of the Plan of Adjustment. However, the Oversight Board intends to do so in the next few weeks.

11. The Oversight Board has also scheduled meetings with the legislative and executive branches of the federal government, as well as with the local legislature, business community, economists, and the broader public, to brief them on the terms of the Plan of Adjustment and PSA.

**IV. General Status of ADR and ACR Processes, Anticipated Number of Matters Directed into ADR, and Anticipated Timetable for Initiation of ADR Procedures with Respect to Such Matters**

12. Pursuant to the *Order (A) Authorizing Administrative Resolution of Claims, (B) Approving Additional Form of Notice, and (C) Granting Related Relief* [ECF No. 12274] (the “ACR Order”), the Debtors have filed nine notices transferring claims into Administrative Claims Reconciliation (as defined in the ACR Order), *see First Notice of Transfer of Claims to Administrative Claims Reconciliation* [ECF No. 13603] (the “First ACR Transfer Notice”), *Second Notice of Transfer of Claims to Administrative Claims Reconciliation* [ECF No. 14182] (the “Second ACR Transfer Notice”), *Third Notice of Transfer of Claims to Administrative Claims Reconciliation* [ECF No. 14785] (the “Third ACR Transfer Notice”), *Fourth Notice of Transfer of Claims to Administrative Claims Reconciliation* [ECF No. 15027] (the “Fourth ACR Transfer Notice”), *Fifth Notice of Transfer of Claims to Administrative Claims Reconciliation* [ECF No. 15086] (the “Fifth ACR Transfer Notice”), *Sixth Notice of Transfer of Claims to Administrative Claims Reconciliation* [ECF No. 15116] (the “Sixth ACR Transfer Notice”), *Seventh Notice of Transfer of Claims to Administrative Claims Reconciliation* [ECF No. 15534] (the “Seventh ACR Transfer Notice”), *Eighth Notice of Transfer of Claims to Administrative Claims Reconciliation* [ECF No. 15721] (the “Eighth ACR Transfer Notice”), and *Ninth Notice of Transfer of Claims to Administrative Claims Reconciliation* [ECF No. 15948] (the “Ninth ACR Transfer Notice”, and collectively, the “ACR Transfer Notices”), and have transferred approximately 26,000 claims (collectively, the “ACR Designated Claims”), into Administrative Claims Reconciliation. The ACR Designated Claims will be resolved utilizing the Pension/Retiree Procedures, the Tax Refund Procedures, the Public Employee Procedures, and/or the Grievance Procedures (each as defined in the ACR Order), as set forth in the ACR Transfer Notices.

13. Subsequent thereto, the Debtors have filed notices, *see Notice of Filing of First Administrative Claims Resolution Status Notice* [ECF No. 14515] and accompanying *First Administrative Claims Resolution Status Notice* [ECF No. 14515-1] (the “First ACR Status Notice”), *Notice of Filing of Second Administrative Claims Resolution Status Notice* [ECF No. 15367] and accompanying *Second Administrative Claims Resolution Status Notice* [ECF No. 15367-1] (the “Second ACR Status Notice”), and *Notice of Filing of Third Administrative Claims Resolution Status Notice* [ECF No. 15812] and accompanying *Third Administrative Claims Resolution Status Notice* [ECF No. 15812-1] (the “Third ACR Status Notice”), wherein the Debtors reported the successful resolution of thousands of ACR Designated Claims. The Debtors’ next ACR Status Notice (as defined in the ACR Order) is scheduled to be filed on April 6, 2021, and the Debtors anticipate reporting the successful resolution of hundreds of additional ACR Designated Claims. With respect to the remaining ACR Designated Claims, mailings have been made, or are in the process of distribution, informing claimants of the initiation of the ACR process and the timetable for the resolution of their ACR-related claims. The Debtors’ next ACR Transfer Notice (as defined in the ACR Order) is scheduled to be filed on May 4, 2021. The Debtors anticipate transferring additional claims into Administrative Claims Reconciliation at that time.

14. Pursuant to the *Order (A) Authorizing Alternative Dispute Resolution Procedures, (B) Approving Additional Forms of Notice, and (C) Granting Related Relief* [ECF No. 12576] (the “ADR Order”), the Debtors have filed ten notices transferring claims into the ADR Procedures (as defined in the ADR Order), *see First Notice of Transfer of Claims to Alternative Dispute Resolution* [ECF No. 13609] (the “First ADR Notice”), *Second Notice of Transfer of Claims to Alternative Dispute Resolution* [ECF No. 14090] (the “Second ADR Notice”), *Third Notice of Transfer of Claims to Alternative Dispute Resolution* [ECF No. 14521] (the “Third ADR Notice”),

*Fourth Notice of Transfer of Claims to Alternative Dispute Resolution* [ECF No. 14786] (the “Fourth ADR Notice”), *Fifth Notice of Transfer of Claims to Alternative Dispute Resolution* [ECF No. 15085] (the “Fifth ADR Notice”), *Sixth Notice of Transfer of Claims to Alternative Dispute Resolution* [ECF No. 15113] (the “Sixth ADR Notice”), the *Seventh Notice of Transfer of Claims to Alternative Dispute Resolution* [ECF No. 15217] (the “Seventh ADR Notice”), the *Eighth Notice of Transfer of Claims to Alternative Dispute Resolution* [ECF No. 15533], the *Ninth Notice of Transfer of Claims to Alternative Dispute Resolution* [ECF No. 15720], and the *Tenth Notice of Transfer of Claims to Alternative Dispute Resolution* [ECF No. 15861], and have transferred approximately 244 claims into the ADR Procedures.

15. Subsequent thereto, the Debtors have filed notices, see *First Alternative Dispute Resolution Status Notice* [ECF No. 14185] (the “First ADR Status Notice”), *Second Alternative Dispute Resolution Status Notice* [ECF No. 15028-1] (the “Second ADR Status Notice”), *Third Alternative Dispute Resolution Status Notice* [ECF No. 15551-1] (the “Third ADR Status Notice”), *Fourth Alternative Dispute Resolution Status Notice* [ECF No.15958-1] (the “Fourth ADR Status Notice”), indicating one claim is in Evaluative Mediation (as defined in the ADR Order), approximately fifty-seven (57) claims are currently in the Offer-Exchange (as defined in the ADR Order) phase of the ADR Procedures, and approximately nineteen (19) claimants have accepted the Debtors’ offers. The Debtors are in the process of documenting the resolution of claims as to which offers have been accepted.

16. Further, the Debtors are evaluating additional responses received and attempting to engage claimants in the hopes of achieving a consensual resolution of the remaining claims currently in the Offer-Exchange procedures. In addition, the Debtors are currently either preparing offers or making Information Requests (as defined in the ADR Order) with respect to the remaining



ADR Designated Claims, and anticipate sending offer letters to such claimants as set forth in the ADR Order. The Debtors' next ADR Transfer Notice (as defined in the ADR Order) is due April 2, 2021, and the Debtors anticipate transferring additional claims into the ADR Procedures at that time.

17. The Debtors' review and analysis of the claims filed to date remains ongoing. At present, the Debtors continue to estimate conservatively that the maximum number of claims that might be transferred into the ADR Procedures is 7,000, while the actual number transferred might be as low as 1,000 claims. At this time, the Debtors cannot predict with certainty the timing for the initiation of ADR Procedures with respect to this population of claims, but anticipate additional accounts payable and litigation-related claims will be transferred into the ADR Procedures in the coming months.

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Dated: March 9, 2021  
San Juan, Puerto Rico

Respectfully submitted,

/s/ Martin J. Bienenstock

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